

HUNTER, SMITH & DAVIS, LLP

A REGISTERED LIMITED LIABILITY PARTNERSHIP

ATTORNEYS AT LAW

Established 1916

LAW CENTER - 1212 NORTH EASTMAN ROAD
P.O. BOX 3740
KINGSPORT, TENNESSEE 37664-0740

TELEPHONE: (423) 378-8800
FAX: (423) 378-8801

www.hsdlaw.com

June 3, 1999

COUNSEL
EDWIN L. TREADWAY
SHELBURNE FERGUSON, JR.
THOMAS R. WILSON

JAMES R. BOWLES, CPA, CFP

GEORGE E. PENN, JR. (1954)
E. G. HUNTER (1967)
ERNEST F. SMITH (1978)
BEN C. DAVIS (1983)
EDWIN O. NORRIS (1994)

JOHNSON CITY OFFICE
SUITE 500, FIRST AMERICAN CENTER
208 SUNSET DRIVE
JOHNSON CITY, TENNESSEE 37604
TELEPHONE: (423) 283-6300
FAX: (423) 283-6301

WRITER'S DIRECT DIAL NUMBER:

(423) 378-8810

S. MORRIS HADDEN
T. ARTHUR SCOTT, JR.
WILLIAM C. BOVENDER
WILLIAM T. WRAY, JR.
WILLIAM C. ARGABRITE
JIMMIE CARPENTER MILLER
MARK S. DESSAUER
GREGORY K. HADEN
MICHAEL L. FORRESTER
STEPHEN M. DARDEN
EDWARD J. WEBB, JR.
JAMES N. L. HUMPHREYS
CYNTHIA S. KESSLER
D. MICHAEL TRANUM
K. JEFF LUETHKE
JULIE POE BENNETT
SUZANNE SWEET COOK
JOHN C. BOWLES
ROBERT M. HADDEN
SCOTT T. POWERS
LESLIE A. TENTLER

WRITER'S E-MAIL ADDRESS:

tscott@hsdlaw.com

KPOW.57711

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

**RE: DOCKET NO. 92-04425 - PETITION OF KINGSPORT POWER COMPANY TO
CHANGE AND INCREASE CERTAIN TARIFFS, RATES AND CHARGES FOR
ELECTRIC SERVICE**

Dear Mr. Waddell:

This letter is to alert the Tennessee Regulatory Authority of a potentially imminent refund and negative surcharge in the above long-dormant docket. Since no Director and almost no staff member at the Authority was there when this matter was last considered, we are sending this informal notice to allow time to resurrect this matter for review so as not to delay the refund or negative surcharge.

On November 3, 1992, the Tennessee Public Service Commission (TPSC) issued an order adopting a Settlement Agreement in the above action. The action involved changes to rates due to wholesale power pass through, changes to local operations and cost of capital. The wholesale pass through portion was implemented subject to refund.

At long last, the Federal Energy Regulatory Commission (FERC) has recently taken action in Docket ER92-324-000 that should allow this matter to move forward. Appalachian Power Company, Kingsport Power's wholesale supplier of electricity has made its compliance filing with FERC, there were no objections filed and it now awaits final approval. That approval will reduce the wholesale rate charged by APCO to KgPCo and result in a refund to KgPCo.

The TPSC order called for any refund to be implemented by means of a negative surcharge. It also contemplated the filing of new tariffs for prospective rate reduction.

Mr. David Waddell
Page 2
June 3, 1999

On December 29, 1994, KgPCo's Purchased Power Adjustment Rider (Adjustment Rider) became effective. The anticipated refund in the above docket was, pursuant to the TPSC order, to be handled by a negative surcharge, which coincides with the procedure under the Adjustment Rider. Likewise, the prospective change in rates is now to be calculated and implemented according to the Adjustment Rider, not by filing of new tariffs.

When the final approval occurs at FERC, KgPCo will send the calculations and notice required by the Adjustment Rider.

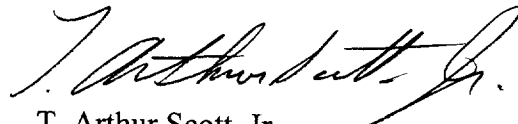
In addition to the original of this letter, we are sending thirteen copies for appropriate distribution.

If you have any questions, please contact the undersigned.

With kindest personal regards, we are

Very sincerely yours,

HUNTER, SMITH & DAVIS, LLP



T. Arthur Scott, Jr.

g:\wordp\wpdocs\scott\alphaclientsbusiness\kpow\ltr.waddell tariffs&rates

Enclosures

cc: James R. Bacha, Esq.
Gary L. Johnson, Esq.
Mr. R. Daniel Carson, Jr.
Mr. Isaac Webb